

Planning  
1986-1989

# 200-block deal OK'd

## Swenson and the city finally reach accord

By JENNIFER KOSS  
STAFF WRITER

San Jose builder Barry Swenson has finally gotten the go-ahead to develop part of Watsonville's 200 block and is hoping to start construction within a year.

The City Council, acting as the Redevelopment Agency, approved a "Land Sale and Development Agreement" with Swenson in an open meeting yesterday afternoon at City Hall. Closed-door meetings were held earlier in the week, despite Councilman Dennis Osmer's request that they be open on the basis that questions raised in an open meeting last week ought to be answered.

According to the agreement, Swenson will pay \$900,000 for nearly 2½ acres on the 200 block, with \$250,000 down. Council members had questioned a clause in the agreement that would have deferred interest on the payments on the remaining \$650,000 until two years after a "certificate of completion" was issued on the site.

The council feared it might take years for Swenson to reach the point at which a certificate of completion would be issued, and that the city could be stuck without interest revenue indefinitely. The clause was changed to read that interest would be waived for three years from the date the agreement is signed, which City Manager John Radin said should be within five days, with an option on deferring interest another two years, followed by a "balloon payment" of the deferred interest.

As soon as the agreement with Swenson is signed, Radin said he would issue 90-day notices-to-vacate to businesses still operating on the 200 block. The agreement calls for local businesses wanting to relocate in Swenson's commercial complex to get a break in rent for three years.

Council members had questioned that section of the agreement, because it stipulated Swenson would lease his 34,600 square feet of space to businesses that had been issued business licenses for five consecutive years. Much of yesterday's discussion focused on that clause.

Mayor Betty Murphy explained that the clause was added at the request of the Redevelopment Agency, to protect Watsonville businesses; without it, outside businesses might move in before local people got a crack at leasing space from Swenson.

Councilman Rex Clark said the break in rent would also be an incentive to people with businesses on the 200 block.

"It gives an advantage to local businesses that may want to locate there," Clark said, "and I hope they all do."

Other council members worried about local businesses that were newer to the area, however.

"I think it's very important to open the doors and welcome other businesses, even if they've been in business here only one year," Councilman Tony Campos said.

He also said he'd heard some downtown businessmen express the desire to attract other businesses to the area. Businesses already in the area should "get the first shot," he said, but anyone wanting to open "a little mom-and-pop store" should be encouraged to do so.

Lisa Bullen, project manager for Swenson's 200-block development, said other businesses would be able to lease space at the market rate, but council members still debated which businesses should get a break in rent.

Then Mayor Murphy proposed a solution: "What about selecting a certain year, so we can get out of here before dawn? And then putting it in the contract and making it a negotiable item so we can change it if there's a problem?"

Councilman Joe Marsano suggested a two-year business-license requirement, which met with unanimous agreement from other council members.

Another aspect of the agreement met with less-than-unanimous support — a clause requiring the Redevelopment Agency to "subordinate" the first deed of trust on the property to a lending institution, so that Swenson could get a construction loan, which would mean that in the event of a default, the city would either have to pay off the loan or lose the property.

A change in the agreement calling for a loan equal to the appraised value of the project, rather than the previously listed figure of \$4.6 million, satisfied five council members but failed to get the support of Councilmen Vido Deretich and Osmer.

"I have no problem with the development," Deretich said. "I have no problem with anything. The only problem I have is, I am not willing to subordinate borrowed money. I don't believe in doing business that way."

Osmer agreed with Deretich, but City Manager Radin said there was no other way for Swenson to get the construction loan, and the council voted 5-2 in favor of the agreement.